

Internal Revenue Service
TEGE Appeals Programs
300 N. Los Angeles Street
Los Angeles, CA 90012

Department of the Treasury
CERTIFIED

Release Number: 201615022

Release Date: 4/8/2016

Date: January 15, 2016

Redaction legend:

A=

B=

C=

A

B

Taxpayer Identification Number:

C

Person to Contact:

Employee ID Number: ****

Tel: (**** Fax: ****

Refer Reply to:

In Re: Exempt status

Tax Years: 12/31/**and subsequent**
years

UIL Index:

501.03-00

Dear :

This is a final adverse determination as to your application for exempt status under section 501(a) as an organization described under section 501(c)(3) of the Internal Revenue Code. Our adverse determination was made for the following reasons:

1. You are not operated exclusively for exempt purposes within the meaning of Internal Revenue Code § 501(c)(3) and Treasury Regulation § 1.501(c)(3)-1(d). You do not engage primarily in activities that accomplish one or more of the exempt purposes specified in Internal Revenue Code § 501(c)(3). More than an insubstantial part of your activities are in furtherance of a non-exempt purpose.

2. You are not operated primarily for a public purpose as is required by Internal Revenue Code § 501(c)(3) and Treasury Regulation § 1.501(c)(3)-1(d)(1)(ii). You operate for the benefit of private interests.

In addition, because we have determined that you are not an organization described under § 501(c)(3), you cannot be classified as a public charity under § 509(a).

Contributions to your organization are not deductible under Code § 170. You are required to file federal Form 1120 for the year(s) shown above.

If you decide to contest this determination under the declaratory judgment provisions of Code section 7428, a petition to the United States Tax Court, the United States Court of Claims, or the district court of the United States for the District of Columbia must be filed before the 91st (ninety-first) day after the date this determination was mailed to you. Contact the clerk of the appropriate court for rules for filing petitions for declaratory judgment. To secure a petition form from the United States Tax Court, write to the United States Tax Court, 400 Second Street, N.W., Washington, D.C. 20217.

You also have the right to contact the Office of the Taxpayer Advocate. However, you should first contact the person whose name and telephone number are shown above since this person can access your tax information and can help you get answers. You can call 1-877-777-4778, and ask for Taxpayer Advocate assistance.

Taxpayer Advocate assistance cannot be used as a substitute for established IRS procedures, formal appeals procedures, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determinations, or extend the time fixed by law that you have to file a petition in the United States Tax Court. The Taxpayer Advocate, can however, see that a tax matter, that may not have been resolved through normal channels, gets prompt and proper handling.

We will notify the appropriate State officials of this final adverse determination of your exempt status, as required by Code section 6104(c).

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Nan Shimizu
Appeals Team Manager



Department of the Treasury
Internal Revenue Service
1111 Constitution Ave., N.W.
Washington, D.C. 20224

UIL Number: 501.03-05

Date: 8/25/2014

Employer ID number:

Contact person/ ID number:

Contact telephone number:

Contact fax number:

Legend:

Date =

State =

System =

Dear :

We considered your application for recognition of exemption from federal income tax under Section 501(a) of the Internal Revenue Code (the Code or "I.R.C."). Based on the information provided, we determined that you don't qualify for exemption under Section 501(c)(3) of the Code. This letter explains the basis for our conclusion. Please keep it for your records.

Issues

Whether you are exempt under § 501(c)(3) and classified as a public charity under § 509(a)(3).

Facts

You were incorporated on Date in State as a nonprofit corporation for charitable, scientific or educational purposes within the meaning of § 501(c)(3) and specifically, "to promote and support, directly or indirectly, the interests and purposes of [System]." System is a not-for-profit healthcare corporation recognized as tax-exempt under § 501(c)(3) and classified as a public charity under § 509(a)(1).

You were formed by System in order to serve as the legal and operational vehicle for achieving clinical care integration, coordination, and accountability among both employed and independent physicians practicing throughout System affiliated facilities. You have submitted a Form 1023 Application requesting a determination that you are exempt under § 501(c)(3) and classified as a supporting organization under § 509(a)(3). You

indicate that you are an Accountable Care Organization (“ACO”). You do not participate in the Medicare Shared Savings Program (“MSSP”).

You do not engage in the direct delivery of medical care or provide health services to the general public. Rather, you indicate that all of your time and resources are dedicated to the furtherance of the “Triple Aim” health care reform goals established by the Patient Protection and Affordable Care Act (“PPACA”), namely: reducing the cost of health care for individuals, improving patient access to and the quality of care, and improving population health and patient experience. Your mission, goals, and activities are focused on the achievement of these Triple Aim goals.

You have formed a clinically integrated network of health care providers by entering into participation agreements with those providers who meet your eligibility and performance standards. The network participants include physicians employed by System and its facilities as well as those from independent practice groups who are members of the medical staff at System affiliated facilities and those practicing at other non-System affiliated hospitals and in other healthcare systems. Information included in your application materials indicates that approximately half of your participating physicians are in independent practices or affiliated with other hospitals and regional health systems.

You are developing and implementing performance measures to assess the care delivery of participating providers. You have established data infrastructure for collecting, aggregating and analyzing data, including an electronically integrated clinical information data warehouse and analysis, a patient satisfaction survey tool, and clinical network infrastructure necessary for tracking provider performance and sharing clinical data. You have developed and implemented financial incentives that motivate network providers to achieve improvement, tying payments to participating providers to their collective success at achieving the Triple Aim goals, as determined by your performance measures.

According to the terms of your participation agreements, you act as the representative for all participating providers, including the independent and other non- System affiliated physicians, in the negotiation and execution of certain agreements with third-party payers. These agreements link rewards and penalties for participants to their achievement of your performance measures in order to incentivize changes in participant behavior in furtherance of the Triple Aim goals. You have negotiated two such payor agreements so far on behalf of your participant practitioners.

Law

I.R.C. § 501(c)(3) provides that an organization may be exempted from tax if it is organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes and no part of the net earnings inures to the benefit of any private shareholder or individual.

I.R.C. § 509(a)(3) excludes from the definition of the term “private foundation” an organization which:

(A) is organized, and at all times thereafter is operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more specified organizations described in §§ 509(a)(1) or 509(a)(2);

(B) is operated, supervised, or controlled by or in connection with one or more organizations described in § 509(a)(1) or (2); and

(C) is not controlled directly or indirectly by one or more disqualified persons (as defined in § 4946) other

than foundation managers and other than one or more organizations described in §§ 509(a)(1) or (2).

Treas. Reg. § 1.501(c)(3)-1(a)(1) provides that in order to be exempt under § 501(c)(3), an organization must be both organized and operated exclusively for one or more of the exempt purposes specified in that section. If an organization fails to meet either the organizational test or the operational test, it does not qualify for exemption.

Treas. Reg. § 1.501(c)(3)-1(c)(1) provides that an organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in § 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Treas. Reg. § 1.501(c)(3)-1(c)(2) states that an organization is not operated exclusively for charitable purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals. Courts have interpreted the term “net earnings” as referring to an “advantage, profit, fruit, privilege, gain [or] interest” derived from the organization. Harding Hospital v. United States, 505 F.2d 1068, 1072 (6th Cir. 1964); Retired Teachers Legal Defense Fund v. Commissioner, 78 T.C. 280, 286 (1982).

Treas. Reg. § 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not organized or operated for an exempt purpose unless it serves a public rather than a private interest. Even though an organization serves a public interest, it will not qualify for status under § 501(c)(3) if it also serves a private interest more than incidentally. Therefore, the organization has to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interest. The private benefit prohibition of § 501(c)(3) applies to all kinds of persons and groups, not just to those “insiders” subject to the stricter inurement proscription. Prohibited private benefit may include an “advantage; profit; fruit; privilege; gain or interest.” Retired Teachers Legal Defense Fund, *supra*.

Treas. Reg. § 1.501(c)(3)-1(d)(2) provides that the term “charitable” as used in § 501(c)(3) includes its generally accepted legal sense and includes such purposes as relief of the poor and distressed or of the underprivileged; advancement of religion; advancement of education or science; and lessening the burdens of government. The promotion of health has long been recognized as a charitable purpose. See Restatement (Third) Trusts § 28 (2012); 6 Austin W. Scott and William F. Fratcher, The Law of Trusts §§ 38.1, 38.5 (5th ed. 2013); and Revenue Ruling 69-545, 1969-2 C.B. 117.

However, not every activity that promotes health supports tax exemption under § 501(c)(3). For example, selling prescription pharmaceuticals promotes health, but pharmacies cannot qualify for recognition of exemption under § 501(c)(3) on that basis alone. Federation Pharmacy Services, Inc. v. Commissioner, 72 T.C. 687 (1979), *aff’d*, 625 F.2d 804 (8th Cir. 1980); see also IHC Health Plans, Inc. v. Commissioner, 325 F.3d 1188, 1197 (10th Cir. 2003) (noting that “engaging in an activity that promotes health, standing alone, offers an insufficient indicium of an organization’s purpose,” as “[n]umerous for-profit enterprises offer products or services that promote health”). Furthermore, “an institution for the promotion of health is not a charitable institution if it is privately owned and is run for the profit of the owners.” Rev. Rul. 98-15.

Treas. Reg. 1.509(a)-4(b)(1) provides that in order to qualify as a supporting organization, an organization must be both organized and operated exclusively “for the benefit of, to perform the functions of, or to carry out the purposes of one of more specified publicly supported organizations.” If it fails to meet either the organizational test or operational test, it cannot qualify as a supporting organization.

Treas. Reg. § 1.509(a)-4(e) provides that a supporting organization will be regarded as “operated exclusively to support one or more specified publicly supported organizations (hereinafter referred to as the “operational test” only if it engages solely in activities which support or benefit the specified publicly supported organizations.

In Better Business Bureau of Washington, D.C. v. United States, 326 U.S. 279, 283 (1945), the Supreme Court stated that the presence of a single nonexempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes. This case is the basis of § 1.501(c)(3)-1(c)(1), which provides that an organization will be regarded as “operated exclusively” for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in § 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities are not in furtherance of an exempt purpose.

In American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989), the Tax Court held that an organization that as its primary activity operated a school to train individuals for careers as political campaign professionals was not operated exclusively for exempt purposes as described in § 501(c)(3) because the school’s activities conferred impermissible private benefit. The court defined “private benefit” as “nonincidental benefits conferred on disinterested persons that serve private interests.”

An organization may provide benefits to private individuals provided those benefits are incidental quantitatively and qualitatively. To be qualitatively incidental, private benefit must be a necessary concomitant of an activity that benefits the public at large; in other words, the benefit to the public cannot be achieved without necessarily benefiting certain private individuals. To be quantitatively incidental, the private benefit must be insubstantial, measured in the context of the overall public benefit conferred by the activity. To illustrate the quantitatively incidental concept, compare Rev. Rul. 68-14, 1968-1 C.B. 243, with Rev. Rul. 75-286, 1975-2 C.B. 210.

In Rev. Rul. 68-14, an organization that helped beautify a city was exempt under § 501(c)(3) when it planted trees in public areas, cooperated with municipal authorities in tree plantings and programs to keep the city clean, and educated the public in advantages of tree planting.

In Rev. Rul. 75-286, an organization with similar activities did not qualify under § 501(c)(3) where its members consisted of residents and business operators of a city block and its activities were limited to that block. The facts in Rev. Rul. 75-286 indicate that the organization was organized and operated for the benefit of private interests by enhancing the value of members’ property.

For a benefit to be qualitatively incidental, it must be a necessary concomitant of the activity which benefits the public at large. That is, the benefit to the public cannot be achieved without necessarily benefiting certain private individuals. For example, in Rev. Rul. 70-186, *supra*, an organization was formed to preserve a lake as a public recreational facility and to improve the condition of the water in the lake to enhance its recreational features. Although the organization clearly benefited the public at large, there necessarily was also significant benefit to the private individuals who owned lake front property. In this ruling, the IRS determined that the private benefit was incidental in a qualitative sense, stating:

The benefits to be derived from the organization’s activities flow principally to the general public through the maintenance and improvement of public recreational facilities. Any private benefits derived by the lake front property owners do not lessen the public benefits flowing from the organization’s operations. In fact, it would be impossible for the organization to accomplish its purposes without providing benefits to the lake front property owners.

Thus, the organization qualified for exemption under § 501(c)(3).

Rev. Rul. 77-69, 1977-1 C.B. 143, describes an agency that was organized and operated pursuant to federal statute to establish and maintain a system of health planning and resource development aimed at providing adequate health care for a specified geographic area. It was funded by federal grants and managed by government officials and members of the public. The organization gathered and analyzed health data, established health system plans and goals, coordinated activities with professional standards review organizations, reviewed and approved grant applications for federal funds, and assisted states in reviewing health services capital expenditures. The organization promoted the health of the residents of the area in which it functioned, and met the requirements of lessening the burdens of government, and therefore operated for charitable purposes under § 501(c)(3).

Rev. Rul. 81-276, 1981-2 C.B. 128, describes a professional standards review organization established pursuant to a federal statute to review health care practitioners' and institutions' provision of health care services and items for which payment is made under Medicare and Medicaid, and determine whether the quality of services met professionally recognized standards of care. The IRS ruled that by taking on the government's burden of reviewing the quality of services under Medicare and Medicaid, the organization lessened the burdens of government within the meaning of § 501(c)(3)-1(d)(2). Any benefit to members of the medical profession from such activities was incidental to the benefit the organization provided in lessening the burdens of government. Therefore, the organization qualified for exemption under § 501(c)(3).

Rev. Rul. 85-2, 1985-1 C.B. 178, sets forth the criteria for determining whether an organization's activities are lessening the burdens of government: whether the governmental unit considers the organization's activities to be its burden; and whether these activities actually lessen the burden of the governmental unit. An activity is a burden of the government if there is an objective manifestation by the governmental unit that it considers the activities of the organization to be its burden. The interrelationship between the governmental unit and the organization may provide evidence that the governmental unit considers the activity to be its burden. Whether the organization is actually lessening the burdens of government is determined by considering all of the relevant facts and circumstances.

Rev. Rul. 86-98, 1986-2 C.B. 74, holds that an individual practice association ("IPA") that provides health services through written agreements with health maintenance organizations (HMOs) does not qualify for exemption from federal income tax as a social welfare organization under § 501(c)(4). The IPA's stated purpose is to arrange for the delivery of health services through written agreements negotiated with HMOs. Membership in the IPA is limited to practicing licensed physicians who are members of a specified county medical society. The IPA's members generally maintain a private medical practice in addition to performing services for the IPA. The IPA's members are required to enter into written service contracts under which they provide services to the HMO's patients in accordance with a negotiated compensation arrangement between the HMO and an IPA. The IPA's primary activities are to serve as a "bargaining agent" for its members in dealing with HMOs and to perform the administrative claims services required by the agreements. Members agree to reimbursement by the IPA according to a fee schedule established by the IPA's board of directors. The ruling finds that the IPA is "akin to a billing and collection service, and a collective bargaining representative negotiating on behalf of its member-physicians with HMOs." In addition, the IPA does not provide medical services that would not have been available but for its establishment, or that are available at fees below what is customarily and reasonably charged by the members in their private practices. The IPA is held to operate in a manner similar to a for-profit entity, and its primary beneficiaries are its member-physicians, rather than the community as a whole.

The American Recovery and Reinvestment Act of 2009 ("ARRA"), P.L. 111-5, enacted February 17, 2009, includes the provision of various economic incentives to encourage the use of health information technology.

The Conference Report to ARRA (H.Rept. 111-16, 111th Cong. 1st Sess., 2/12/09) includes the following statement relating to these incentives, at 488-9:

As a result of the incentives and appropriations for health information technology provided in this bill, it is expected that nonprofit organizations may be formed to facilitate the electronic use and exchange of health-related information consistent with standards adopted by HHS, and that such organizations may seek exemption from income tax as organizations described in IRC sec. 501(c)(3). Consequently, if a nonprofit organization otherwise organized and operated exclusively for exempt purposes described in IRC sec. 501(c)(3) engages in activities to facilitate the electronic use or exchange of health-related information to advance the purposes of the bill, consistent with standards adopted by HHS, such activities will be considered activities that substantially further an exempt purpose under IRC sec. 501(c)(3), specifically the purpose of lessening the burdens of government. Private benefit attributable to cost savings realized from the conduct of such activities will be viewed as incidental to the accomplishment of the nonprofit organization's exempt purpose.

Notice 2011-20, 2011-16 I.R.B. 652 (April 18, 2011), summarizes how the IRS expects existing IRS guidance may apply to § 501(c)(3) tax-exempt organizations (charitable organizations), such as charitable hospitals, participating in the Medicare Shared Savings Program through ACOs.

Application of law

As described in Treas. Reg. § 1.501(c)(3)-1(a), in order to qualify for exemption as an organization described in § 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in that section. An organization must establish that it operates primarily for activities that accomplish exempt purposes and that no more than an insubstantial part of its activities do not further an exempt purpose. The presence of a single substantial nonexempt purpose destroys the exemption regardless of the number or importance of the exempt purposes. See Better Business Bureau of Washington, D.C. v. United States, 326 U.S. 279, 283 (1945). Exempt charitable purposes include, among others, relief of the poor and distressed and the lessening of the burdens of government. See § 1.501(c)(3)-1(d)(2).

In order for an activity to further the exempt charitable purpose of lessening the burdens of government, there must be an objective manifestation that the government considers the activities to be its burden. Rev. Rul. 85-2, supra. Certain provisions of the PPACA encourage and support ACO and cost sharing arrangements. Furthermore, as indicated in Notice 2011-20, Congress established the MSSP to be conducted through ACOs in order to promote quality improvements and cost savings in health care. Therefore, participation in the MSSP by an ACO will generally further the charitable purpose of lessening the burdens of government within the meaning of Treas. Reg. § 1.501(c)(3)-1(d)(2). In contrast, however, the law does not provide an objective manifestation that the government considers non-MSSP related ACO activities to be its burden, regardless of their furtherance of the PPACA's overall Triple Aim goals.

You are not like the organizations described in Rev. Rul. 77-69, supra, and Rev. Rul. 81-276, supra, because you are not established pursuant to a statute, managed by government officials, or funded by government grants. There is no government oversight of your activities similar to that of an ACO participating in the MSSP. You are not engaged primarily in assisting the Medicare or Medicaid population, which could further the charitable purpose of relieving the poor and distressed. See Treas. Reg. § 1.501(c)(3)-1(d)(2).

The promotion of health is also recognized as a charitable purpose; however, not every activity that generally promotes health furthers charitable purposes under § 501(c)(3). For example, selling prescription pharmaceuticals promotes health, but pharmacies cannot qualify for recognition of exemption under § 501(c)(3) on that basis alone. See Federation Pharmacy Services, Inc., *supra*. The Triple Aim goals of the PPACA that you have identified, while generally promoting health, are not coextensive with exempt purposes under § 501(c)(3), and not all activities advancing those goals are necessarily in furtherance of charitable purposes. Therefore, you have not established that you are operated primarily for exempt purposes under § 501(c)(3).

In addition, it is clear from your application materials that one of your substantial activities is the negotiation of payer agreements on behalf of your healthcare provider participants, as evidenced by the representative participation agreement and the payer agreements you provided. Approximately half of your participating physicians are not employed by System or System hospitals.

Negotiating with private health insurers on behalf of unrelated healthcare providers is not a charitable activity. See Rev. Rul. 86-98, *supra*. As the IRS has stated in Notice 2011-20, "negotiating with private health insurers on behalf of unrelated parties generally is not a charitable activity, regardless of whether the agreement negotiated is a program aimed at achieving cost savings in health care delivery." These activities are primarily beneficial to the non-System affiliated physician, hospital, and other health care provider participants because you are providing them with specific long and short term planning information that can be used in their business activities.

Organizations seeking exemption under § 501(c)(3) must be organized and operated exclusively for exempt purposes pursuant to § 1.501(c)(3)-1(a). An entity that is substantially organized or operated to serve private rather than public interests cannot be recognized as operating exclusively for exempt purposes. See § 1.501(c)(3) - 1(d)(1)(ii) and American Campaign Academy, *supra*. The Tax Court has explained that prohibited private benefits may include an "advantage, profit, fruit, privilege, gain, or interest." See American Campaign Academy at 1065. Your negotiation of payer agreements on behalf of the non-System affiliated physicians only indirectly benefits the community as a whole. The private benefit to these members is not qualitatively or quantitatively incidental or insubstantial in comparison to the community benefit produced by your activities. Your negotiation of payer agreements on behalf of independent healthcare providers and those employed at other hospitals and healthcare systems, therefore, comprises a substantial part of your activities and confers an impermissible private benefit to participants who are not affiliated with System.

Although your electronic health records activities may further charitable purposes under § 501(c)(3) (as described in the Conference Report to ARRA), the fact that you may have some programs that further exempt purposes is immaterial because, as provided in Better Business Bureau of Washington, D.C., *supra*, the presence of a substantial nonexempt purpose destroys the exemption under § 501(c)(3) regardless of the number or importance of truly exempt purposes.

For similar reasons, even if you were recognized as exempt under § 501(c)(3), you would not be classified as other than a private foundation under § 509(a)(3). A supporting organization must be organized exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more specified organizations described in section 509(a)(1) or 509(a)(2). As discussed above, your networking and contracting activities on behalf of non-System healthcare providers does not exclusively provide a benefit to System. Therefore, you do not meet the operational test for a supporting organization set out under Treas. Reg. § 1.509(a)-4(e).

Conclusion

Based on the information provided in your Form 1023 and supporting documentation, we conclude that you are not operated exclusively for purposes described in § 501(c)(3). Accordingly, you do not qualify for exemption as an organization described in § 501(c)(3). In addition, even if you were determined to be described under § 501(c)(3), you would not be classified not a supporting organization under § 509(a)(3).

If you don't agree

You have a right to file a protest if you don't agree with our proposed adverse determination. To do so, you must send us a statement within 30 days of the date of this letter. The statement must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A copy of this letter highlighting the findings you disagree with
- An explanation of why you disagree, including any supporting documents
- The law or authority, if any, you are relying on
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization, or your authorized representative
- One of the following declarations:

For an officer, director, trustee, or other official who is authorized to sign for the organization:

Under penalties of perjury, I declare that I examined this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

For an authorized representative:

Under penalties of perjury, I declare that I prepared this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, *Power of Attorney and Declaration of Representative*, with us if he or she hasn't already done so. You can find more information about representation in Publication 947, *Practice Before the IRS and Power of Attorney*.

We'll review your protest statement and decide if you provided a basis for us to reconsider our determination. You also have a right to a conference after you submit your statement. If you want a conference, you must request it when you file your protest statement.

You can also ask the Office of Appeals to review your application for tax-exempt status. Your right to request Appeals review is in addition to your right to a conference, as outlined in Revenue Procedure (Rev. Proc.) 2014-4 and Rev. Proc. 2014-9. You must notify us in writing if you want us to forward your case to the Appeals Office. You can find more information about the process and the role of the Appeals Office in Section 7 of Rev. Proc. 2014-9 and Publication 4227, *Overview of the Appeals Process*.

If the person representing you in this process is not an officer, director, trustee, or other official who is authorized to sign for the organization, he or she must file Form 2848, as explained above, and otherwise meet the requirements in Publication 216, *Conference and Practice Requirements*.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court at a later date because the law requires that you use the IRS administrative process first (Section 7428(b)(2) of the Code).

Where to send your protest

Please send your protest statement, any request for consideration by the Office of Appeals, Form 2848, if needed, and any supporting documents to the applicable address:

US Mail:

Street Address (delivery service):

You can also fax your statement and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that he or she received it.

If you agree

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

You can find all forms and publications mentioned in this letter on our website at www.irs.gov/formspubs. If you have questions, you can contact the person listed at the top of this letter.

We sent a copy of this letter to your representative as indicated on your power of attorney.

Sincerely,

Michael Seto
Manager, EO Technical

cc: